

SENATE BILL REPORT

SB 5769

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 12, 2009

Title: An act relating to the international services business and occupation tax credit.

Brief Description: Concerning the international services business and occupation tax credit.

Sponsors: Senators Kilmer, Kastama, Carrell, Regala, Franklin, Shin and Becker.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/09/09, 2/12/09 [DP-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Philip Brady (786-7460)

Background: The business and occupations tax (B&O tax) is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. The B&O tax is imposed on the gross receipts from all business activities conducted within the state.

A \$3,000 B&O tax credit is allowed for each new international services job created after July 1, 1998, in a community empowerment zone (CEZ) or in a city over 80,000 that designates an area that meets the unemployment and poverty requirements for a CEZ. International services jobs are those primarily providing service to persons outside the United States or for use outside the United States.

This credit is available during the calendar year in which the new job is created as well as the next four subsequent years if the position still exists. Credits may be accrued and carried forward, but no refunds may be issued. Employers must keep records for six years including employment data, descriptions of international services rendered, and customers of international services.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The credit applies only to qualified employment positions that represent an increase over the prior calendar year. The credit is available in the calendar year immediately after the calendar year in which the increase occurred. Qualified employment positions are calculated by dividing total hours spent on international services by 1,820. Credit cannot be claimed on taxes due before the credit is earned.

Employers must keep records of the number of work hours performed by employees in international services.

Appropriation: None.

Fiscal Note: Requested on February 6, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2010.

Staff Summary of Public Testimony: PRO: This program has existed for years, but the Department of Revenue interpretation has made it less effective than it could be. The job creation credit would focus on full time equivalent rather than full time employees, and make the program more effective. This job credit is an important part of a partnership between Tacoma and the Legislature, and would fix technical issues that have lessened the impact of the program.

Persons Testifying: PRO: Randy Lewis, City of Tacoma.